



## **Review of Pensions Institutions Response from Independent Trustee Services Limited**

This response is being sent on behalf of Independent Trustee Services Limited (ITS). ITS is a leading provider of professional trustee services to both ongoing pension schemes and those whose sponsoring employer has suffered an insolvency event. ITS has particular experience and expertise in the area of corporate transactions and schemes entering the Pension Protection Fund. As such, ITS has had close working experience with both tPR and PPF at all levels.

This submission is deliberately kept short as the arguments for and against a merger of PPF and tPR are well set out in their respective responses. The main focus of ITS's response therefore, is from the perspective of a service "user". We have, however, provided a view on the potential issues and challenges of a merger. Accordingly, our submission is set out in the following two sections:

### **Strategic Issues:**

As mentioned above, the arguments for and against a merger and / or closer working together of the PPF and tPR are set out in detail in their respective submissions. From ITS's perspective there is a clear need to maintain separation of the functions. There are many points which support the continued separation (operational issues are dealt with below). The key issues from ITS's perspective are :

- i) Fundamentally different functions – As summarised in the PPF's response, its function is fundamentally different to that of a regulator and, indeed, it does not have regulatory powers. PPF is much closer in its nature and function to a financial institution, receiving funds from third parties, investing these funds and paying compensation in prescribed circumstances. In our view this function is distinct and very much separate of that of a regulator seeking to control and shape the behaviour of an industry.
- ii) Conflicts – Given the fundamentally different functions of tPR and the PPF actual, or perceived, conflicts could arise. A regulator seeking to shape the behaviour of an industry cannot in ITS's view also have responsibility for running a financial institution. Even the most effective Chinese walls would not stop industry perception of a conflict (even if none actually arose in practice). In turn, that perceived conflict could lead to the combined function being considered inherently cautious (through self interest). The current separation of PPF and tPR, maintains the balance between caution and light touch regulation. In ITS's view this would be lost in a merger.



**Operational:**

As mentioned above, ITS is a significant “user” of the services provided by tPR and PPF to the pensions industry. We make the following observations from this perspective:

- i) Timing of change – Even though it is noted that any merger would take around two years to be completed, the industry needs a period of stability. Changing the regulatory and protection framework after even four years would not provide the stability or the confidence it is meant to instil in sponsors, trustees and members. PPF, tPR and the industry are only just collectively getting to grips with the new framework. To commence a period of change (even if that change was not completed for a further two years) would in ITS’s view undo considerable good.
- ii) Resourcing – Observations are made in the respective responses in relation to sharing and adequacy of resources. From an operational perspective it is not necessarily the adequacy of resources but more the speed of reaction and the skill demonstrated that is important. tPR has taken a significant step forward from the position of its predecessor, OPRA, and in particular, has embraced the challenges around clearance of corporate transactions. However, retaining that focus and speed of reaction is clearly a challenge for tPR as it develops. The quality and timeliness of responses from PPF around financial restructuring involving a potential insolvency event has, in ITS’s experience, been exceptional and hence exceeds any test of adequacy. Whilst PPF may not have the same resources by number as tPR, this does not dilute the quality of their input. Indeed, the types of transactions involved do not necessarily lend themselves to large teams of people but require focused attention from a small number of key individuals.
- iii) Sharing of information – From the perspective of an industry user, we have never experienced any particular barriers to sharing of information between tPR and PPF particularly around corporate transactions. From ITS’s perspective it is always clear which body requires which information and for what purpose. There is a good argument for PPF to be given specific powers in relation to certain negotiations (such as where the outcome may be entry to a PPF assessment period) rather than relying on tPR and/or the scheme’s trustees. This would further clarify roles and use of information



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- iv) Co-location / Infrastructure – Whilst there may be marginal cost savings to be achieved, the current operational model works effectively and we cannot see why marginal cost issues would be a relevant factor which would potentially disturb the balance between PPF and tPR and the extremely important work they are doing in restoring confidence in work based pensions.

Independent Trustee Services Limited would welcome the opportunity to discuss its views further as part of the review process.